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STATEMENT OF  
ELMER B. STAATS  
COMPTROLLER GENERAL OF THE UNITED STATES  
BEFORE THE  
AD HOC SUBCOMMITTEE ON FEDERAL PROCUREMENT  
SENATE COMMITTEE ON GOVERNMENT OPERATIONS  
ON  
SENATE BILL 2510  
A BILL TO CREATE AN OFFICE OF FEDERAL PROCUREMENT POLICY

MR. CHAIRMAN, I AM PLEASED TO APPEAR BEFORE THIS SUBCOMMITTEE TO PRESENT THE VIEWS OF THE GENERAL ACCOUNTING OFFICE ON SENATE BILL 2510. LIKE YOU, I HAVE A DEEP PERSONAL INTEREST IN THIS BILL TO CREATE AN OFFICE OF FEDERAL PROCUREMENT POLICY. THIS WAS THE FIRST RECOMMENDATION OF THE COMMISSION ON GOVERNMENT PROCUREMENT, AND IT WAS UNANIMOUSLY ADOPTED. THE RECOMMENDATION WAS APTLY CHARACTERIZED BY CONGRESSMAN HOLIFIELD, CHAIRMAN OF THE HOUSE GOVERNMENT OPERATIONS COMMITTEE, AS "THE CENTERPIECE OF THE COMMISSION REPORT."

AT THE REQUEST OF CHAIRMAN HOLIFIELD, WE HAVE BEEN MONITORING EXECUTIVE BRANCH ACTIONS ON THE COMMISSION REPORT SINCE MARCH 1973. PROGRESS REPORTS WERE SUBMITTED ON JUNE 19 AND SEPTEMBER 19--AND WE EXPECT TO ISSUE A THIRD REPORT BY

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NEXT JANUARY. IN ADDITION, WE TESTIFIED ON JULY 30 BEFORE THE HOUSE GOVERNMENT OPERATIONS COMMITTEE ON HOUSE BILL 9059--THE HOUSE VERSION OF SENATE BILL 2510.

IN ALL THESE EFFORTS OUR OBJECTIVES ARE TO KEEP CONGRESS INFORMED AND TO MAKE SUGGESTIONS WHICH WILL FOSTER OPTIMUM PROGRESS BY THE EXECUTIVE BRANCH IN ACTING ON THE 149 RECOMMENDATIONS IN THE COMMISSION REPORT.

IN STUDYING THE TESTIMONY BEFORE THE HOUSE COMMITTEE LAST JULY AND BEFORE THIS COMMITTEE IN THE PAST 2 WEEKS, IT APPEARS THAT THERE ARE THREE KEY THEMES:

FIRST, THERE IS VIRTUALLY UNANIMOUS ACCEPTANCE OF THE NEED FOR STRONGER CENTRAL LEADERSHIP. THE STATEMENT BY MR. FRANK ZARB, ASSISTANT DIRECTOR, OMB, STATES THIS THEME SUCCINCTLY.

" \*\*\*The main message which the Procurement Commission report conveys to us is that our procurement process must have stronger central leadership and guidance than we have provided in the past."

HE GOES ON TO SAY:

"I think there is little debate over the need for improvement in the central procurement leadership in the Executive Branch."

SECOND, EXECUTIVE BRANCH WITNESSES GENERALLY CONTEND THAT THE CURRENT STRUCTURE OF THE EXECUTIVE BRANCH IS ADEQUATE TO PROVIDE THIS LEADERSHIP AND SIMPLY NEEDS TO BE REVITALIZED. IN MR. ZARB'S WORDS:

" \*\*\*The solution to our problems is not so much an organization solution as it is a revitalization of the structure we already

have, and a commitment to get on with the task of improvement of Federal procurement\*\*\*."

EXECUTIVE BRANCH WITNESSES EXPRESSED CONCERN THAT A STATUTORY OFFICE OF FEDERAL PROCUREMENT POLICY MIGHT BECOME AN ADDITIONAL INDEPENDENT ORGANIZATIONAL ELEMENT AND THUS CAUSE DUPLICATION AND COMPETITION FOR AUTHORITY.

THIRD, WITNESSES OUTSIDE THE EXECUTIVE BRANCH ARE VIRTUALLY UNANIMOUS IN URGING THAT A STRONGLY EMPOWERED OFPP BE ESTABLISHED BY STATUTE.

THE ADMINISTRATION ACKNOWLEDGES THAT LEGISLATION MAY EVENTUALLY BE NEEDED TO CLARIFY THE AUTHORITY TO ISSUE REGULATIONS BINDING ON ALL AGENCIES BUT FEELS THIS SHOULD BE DEFERRED (AT LEAST UNTIL NEXT MARCH) WHILE THE REVITALIZATION STEPS PROCEED--INCLUDING THE BUILDING OF AN OMB STAFF AND FURTHER REVIEW OF THE COMMISSION'S 149 RECOMMENDATIONS. WITNESSES OUTSIDE THE EXECUTIVE BRANCH GENERALLY FEEL THAT FURTHER DELAY IS NOT WARRANTED AND THAT THE EXECUTIVE BRANCH WILL NOT, IN FACT, ACT UNLESS A CONGRESSIONAL MANDATE IS PROVIDED.

IT IS OUR POSITION, MR. CHAIRMAN, THAT A CLEAR CONGRESSIONAL MANDATE, WITH THE STATURE AND CONTINUITY WHICH THIS WOULD CONFER, IS ESSENTIAL AND THAT THE VIEWS DESCRIBED ABOVE NEED NOT BE IN CONFLICT.

I WOULD LIKE TO DEVOTE THE REMAINDER OF MY STATEMENT TO DISCUSSING THIS CONCLUSION AND THE FOLLOWING MATTERS.

- A. A STATUTORY OFPP APPEARS ESSENTIAL, BOTH TO OBTAIN ADEQUATE ACTION ON PROCUREMENT COMMISSION RECOMMENDATIONS AND TO BUILD PUBLIC CONFIDENCE IN THE PROCUREMENT PROCESS.
- B. SENATE BILL 2510 HAS INCORPORATED REVISIONS PROPOSED IN HOUSE BILL 9059 AND MEETS THE COMMISSION'S OBJECTIVES.
- C. THE STRONG LEADERSHIP ROLE TO WHICH OMB IS COMMITTED SHOULD BE ENCOURAGED AND WOULD BE GREATLY ENHANCED BY SENATE BILL 2510.

A. A STATUTORY OFPP APPEARS ESSENTIAL TO OBTAIN ADEQUATE ACTION.

AFTER MORE THAN 2 YEARS OF STUDY, THE COMMISSION PRODUCED A MASSIVE SET OF FINDINGS AND RECOMMENDATIONS, THE FIRST OF WHICH IS TO ESTABLISH, BY STATUTE, AN OFFICE OF FEDERAL PROCUREMENT POLICY.

- ° THESE FINDINGS RESULTED FROM THE WORK OF 500 PARTICIPANTS WHO CONSULTED APPROXIMATELY 12,000 PERSONS ENGAGED IN PROCUREMENT. THE RECOMMENDATIONS WERE FORMULATED BY A 12-MEMBER BIPARTISAN COMMISSION DURING 50 DAYS OF FORMAL MEETINGS.
- ° OF 16 COMMISSION STUDY GROUPS, 13 RECOMMENDED EITHER A CENTRAL ORGANIZATION FOR POLICY SETTING OR SOME FORM OF CENTRAL OVERSIGHT.

- ° AN ANALYSIS OF THE COMMISSION'S 149 RECOMMENDATIONS INDICATES THAT OVER TWO-THIRDS WILL REQUIRE COORDINATED ACTION--EITHER BY LEGISLATION OR BY REGULATIONS ISSUED BY A CENTRAL POINT OF AUTHORITY--AND THAT LESS THAN ONE-THIRD CAN BE IMPLEMENTED BY INDIVIDUAL AGENCY ACTION.

THE STUDY GROUPS CONCLUDED THAT A CENTRAL MECHANISM SHOULD BE CREATED, CAPABLE OF:

- EFFECTING COORDINATION AMONG SOME 20 SEPARATE PROCUREMENT AGENCIES, MANY OF WHOM GENERATE INDEPENDENT PROCUREMENT REGULATIONS. A WITNESS BEFORE THIS COMMITTEE FROM THE SMALL BUSINESS ADMINISTRATION DESCRIBED THE RESULT--FROM THE POINT OF VIEW OF THE SMALL BUSINESSMAN--AS A "PUZZLING LABYRINTH OF PROCUREMENT REGULATIONS."
- SPONSORING LEGISLATIVE REFORM. ONE CONSEQUENCE OF INADEQUATE COORDINATION HAS BEEN THE PROLIFERATION OF LAWS WITH DIFFERING PROVISIONS. AMONG THE EXAMPLES CITED BY THE COMMISSION ARE 80 SEPARATE PROVISIONS ON ACCESS TO RECORDS, 110 DIFFERENT PROVISIONS ON EXPERTS AND CONSULTANTS, 46 LAWS REDUNDANT TO OTHER STATUTES, AND MORE THAN 30 TROUBLESOME INCONSISTENCIES BETWEEN THE TWO BASIC PROCUREMENT STATUTES ON SUCH KEY POLICIES AS COMPETITIVE DISCUSSIONS, TRUTH IN NEGOTIATIONS, AND NEGOTIATION OF RESEARCH AND

DEVELOPMENT CONTRACTS. STATUTORY REFORM IS THE SECOND RECOMMENDATION OF THE COMMISSION REPORT. SUCH REFORM WILL REQUIRE STRONG LEADERSHIP FROM AN EXECUTIVE BRANCH FOCAL POINT. AS A PRACTICAL MATTER, THE COMMISSION RECOGNIZED THAT THE INITIATIVES TO BRING ABOUT LEGISLATIVE CHANGE WOULD HAVE TO COME LARGELY FROM THE EXECUTIVE BRANCH.

--ACHIEVING EFFICIENCY AND ECONOMY IN PROCUREMENT

OPERATIONS. NO SENIOR OFFICIAL IN THE EXECUTIVE OFFICE OF THE PRESIDENT IS CONCERNED WITH STANDARDS OF PERFORMANCE IN FEDERAL PROCUREMENT ORGANIZATIONS. THESE ACTIVITIES EMPLOY SOME 80,000 PERSONNEL, AND IN FISCAL YEAR 1972 CONTRACTED TO SPEND \$57.5 BILLION FOR GOODS AND SERVICES. EVEN A SMALL PERCENTAGE SAVINGS IN THE EXPENDITURES OF THESE ORGANIZATIONS COULD BE QUITE SIGNIFICANT.

--BUILDING PUBLIC CONFIDENCE. PUBLIC MISUNDERSTANDING AND DISTRUST OF FEDERAL PROCUREMENT PRACTICES IS WIDESPREAD TODAY. ONE REQUIREMENT TO BUILD PUBLIC CONFIDENCE IS A VISIBLE IMPROVEMENT PROGRAM, DIRECTED BY AN ADMINISTRATOR WHO IS ON A PLANE ABOVE AND INDEPENDENT OF GOVERNMENT BUYING ACTIVITIES, IS RESPONSIVE TO BOTH THE PRESIDENT AND THE CONGRESS, AND WHOSE ROLE IS TO INSURE INTEGRITY AND EFFICIENCY IN FEDERAL PROCUREMENT.

IN SUMMARY, THE EVIDENCE AMASSED BY THE PROCUREMENT COMMISSION DEMONSTRATES, WE BELIEVE, THAT CORRECTING THE PROBLEMS NOTED CANNOT BE ACCOMPLISHED, WITH CREDIBILITY, SIMPLY BY A LOW KEY REVITALIZATION OF THE PRESENT STRUCTURE.

B. SENATE BILL 2510 INCORPORATES SUGGESTED REVISIONS IN HOUSE BILL 9059 AND MEETS THE OBJECTIVES STATED BY THE PROCUREMENT COMMISSION.

FIRST, WE JOIN WITH OTHER WITNESSES IN ENDORSING THE INSERTION OF THE "DECLARATION OF POLICY" (SEC. 2) WHICH SETS OUT THE 12 OBJECTIVES ORIGINALLY ENUNCIATED BY THE CONGRESS IN ESTABLISHING THE COMMISSION ON GOVERNMENT PROCUREMENT.

IN OUR TESTIMONY BEFORE THE HOUSE GOVERNMENT OPERATIONS COMMITTEE ON JULY 30, WE OFFERED THE FOLLOWING SUGGESTIONS-- AND OTHER MINOR ONES--WHICH ARE INCORPORATED IN SENATE BILL 2510.

1. THAT THE OFPP ADMINISTRATOR'S DIRECTIVE AUTHORITY SHOULD FLOW FROM THE PRESIDENT AND BE SUBJECT TO HIS DIRECTION (SEC. 5(A) RATHER THAN HAVE STATUTORY AUTHORITY INDEPENDENT OF THE PRESIDENT.
2. THAT THE ADMINISTRATOR'S FUNCTIONS SHOULD INCLUDE (A) SPONSORING RESEARCH IN PROCUREMENT POLICY AND PROCEDURES, (B) UPGRADING THE STATUS OF PROCUREMENT PERSONNEL THROUGH IMPROVED PROGRAMS FOR RECRUITMENT, TRAINING, CAREER DEVELOPMENT AND PERFORMANCE EVALUATION, AND (C) DEVELOPING A SYSTEM

FOR COLLECTING AND DISSEMINATING GOVERNMENT-WIDE PROCUREMENT DATA (SEC. 6(B)),

3. THAT THE OFPP SHOULD NOT BE INVOLVED IN DECISIONS AFFECTING INDIVIDUAL PROCUREMENTS (SEC. 6(D)).
4. THAT THE EMPHASIS ON PROCEDURES AND FORMS, WHICH OCCURRED IN SEVERAL SECTIONS OF HOUSE BILL 9059, BE REMOVED SO THAT IT IS CLEAR THAT OFPP'S PRINCIPAL CONCERN IS WITH POLICIES AND REGULATIONS.

IN ADDITION TO THESE IMPROVEMENTS IN THE BILL, MR. CHAIRMAN, I WOULD LIKE TO NOTE THE EXCELLENT SUMMATION CONTAINED IN YOUR OPENING STATEMENT OF OCTOBER 31, IN WHICH YOU HIGHLIGHT THE FOUR PRINCIPAL FEATURES DESIRED IN OFPP--INDEPENDENCE, DIRECTIVE AUTHORITY, RESPONSIVENESS TO THE CONGRESS, AND A SMALL BUT HIGHLY COMPETENT STAFF. THIS SUMMARY ALSO NOTES THAT THE KEY OBJECTIVES OF THE OFPP SHOULD STRESS:

- RELIANCE ON THE PRIVATE SECTOR.
- FOSTERING A UNIFORM SYSTEM OF GOVERNMENT-WIDE REGULATIONS.
- INSURING SOLICITATION OF THE VIEWPOINTS OF INTERESTED PARTIES IN THE DEVELOPMENT OF POLICIES AND PROCEDURES.
- LEADERSHIP IN THE AREAS OF PERSONNEL DEVELOPMENT, RESEARCH INTO IMPROVED POLICY AND PRACTICES, AND A UNIFORM DATA SYSTEM.

THE PROVISIONS OF SENATE BILL 2510 AND THE EMPHASIS CONTAINED IN YOUR SUMMATION SHOULD REASSURE BOTH PROCURING AGENCIES AND INDUSTRY THAT THEIR PROPOSALS CONCERNING THE AUTHORITY AND FUNCTIONS OF OFPP HAVE BEEN CONSIDERED. THIS INCLUDES PARTICULARLY THE DESIRE OF

--PROCURING AGENCIES TO AVOID INTERFERENCE BY OFPP IN PROCUREMENT DECISIONS (SPECIFICALLY COVERED IN SEC. 6 (D)), AND

--INDUSTRY TO BE ASSURED THAT ITS VIEWS WILL BE SOLICITED AND CONSIDERED IN FORMULATING GOVERNMENT-WIDE POLICIES AND REGULATIONS (SPECIFICALLY COVERED IN SEC. 6(B)).

C. THE STRONG LEADERSHIP ROLE TO WHICH OMB IS COMMITTED WILL BE SIGNIFICANTLY ENHANCED BY ENACTMENT OF SENATE BILL 2510.

EXECUTIVE BRANCH WITNESSES EXPRESSED CONCERN THAT THE CREATION OF OFPP AT THIS TIME WOULD ADD A THIRD, INDEPENDENT ELEMENT TO THE EXISTING OMB/GSA STRUCTURE. IT IS OUR CONCLUSION THAT THIS NEED NOT BE THE CASE. AS ASSISTANT DIRECTOR ZARB TESTIFIED ON OCTOBER 31, IT WILL BE NECESSARY TO BUILD A STRONGER STAFF WITHIN OMB IF IT IS TO PERFORM THE OFPP POLICY-SETTING AND LEADERSHIP ROLE. SENATE BILL 2510 PERMITS THE PRESIDENT TO ASSIGN OFPP TO OMB (OR ELSEWHERE WITHIN HIS EXECUTIVE OFFICE) WHERE IT WOULD PERFORM THE FUNCTIONS REQUIRED BY THE BILL. WE ALSO CONCLUDE THAT ESTABLISHING

OFPP WOULD NOT PRECLUDE THE ASSIGNMENT OF APPROPRIATE RESPONSIBILITIES TO GSA NOR THE ASSIGNMENT TO OTHER AGENCIES OF A LEAD OR PARTICIPATING ROLE IN DEVELOPING PROPOSED GOVERNMENT-WIDE POLICY IN THEIR AREAS OF EXPERTISE. SUCH ASSIGNMENTS ARE, IN FACT, ENCOURAGED IN SECTION 6(C) OF THIS BILL AND SUGGESTED IN THE COMMISSION'S REPORT.

THE BILL WOULD REQUIRE THAT THE ADMINISTRATOR AND DEPUTY ADMINISTRATOR BE NOMINATED BY THE PRESIDENT AND CONFIRMED BY THE SENATE. WE BELIEVE THAT THIS ADDS TO THE STATURE OF THESE POSITIONS AND EMPHASIZES THEIR RESPONSIVENESS TO THE CONGRESS.

ENACTMENT OF SENATE BILL 2510 WILL ALSO REMOVE ANY QUESTION CONCERNING OFPP'S AUTHORITY TO ISSUE REGULATIONS AND/OR POLICY GUIDANCE BINDING ON DOD AND OTHER AGENCIES COVERED BY THE ARMED SERVICES PROCUREMENT ACT.

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WHETHER SENATE BILL 2510 IS PASSED IMMEDIATELY OR NOT, WE WISH TO COMMEND AND ENCOURAGE THE COMMITMENTS BY ASSISTANT DIRECTOR ZARB TO PROMPTLY AND VIGOROUSLY REVITALIZE OMB'S PROCUREMENT POLICY LEADERSHIP ROLE. THE STRUCTURE WHICH HAS BEEN ESTABLISHED DURING THE PAST SEVERAL MONTHS TO EVALUATE THE PROCUREMENT COMMISSION'S REPORT HAS BEEN A CONSTRUCTIVE STEP, BUT A REVITALIZED OMB IS ESSENTIAL TO PROVIDE AUTHORITY LEADERSHIP, PRODUCE NEW INITIATIVES, ACCELERATE DECISIONMAKING, AND ESTABLISH PRIORITIES FOR ACTION.

FINALLY, WE WILL CONTINUE TO MONITOR EXECUTIVE BRANCH ACTIONS AND REPORT OUR FINDINGS AND SUGGESTIONS TO THE CONGRESS AT LEAST SEMIANNUALLY. IN THIS CONNECTION, THIS COMMITTEE AND THE HOUSE GOVERNMENT OPERATIONS COMMITTEE MAY WISH TO REQUEST THE EXECUTIVE BRANCH TO SUBMIT AN OUTLINE OF THE PRINCIPAL OBJECTIVES TO BE ACHIEVED ON THE PROCUREMENT COMMISSION RECOMMENDATIONS BY JUNE 30, 1974, AND AT SEMIANNUAL INTERVALS THEREAFTER. THIS WOULD ENABLE US TO CORRELATE OUR MONITORSHIP WITH THE SUBMISSION OF THESE REPORTS. THIS APPROACH WOULD GIVE MEANING TO SECTION 8 OF SENATE BILL 2510 WHICH REQUIRES THAT THE CONGRESS BE KEPT "FULLY AND CURRENTLY INFORMED" OF OFPP ACTIVITIES, INCLUDING "PROPOSED CHANGES IN POLICIES AND REGULATIONS."

BEFORE CONCLUDING, MR. CHAIRMAN, I WOULD LIKE TO READ A PARAGRAPH FROM A LETTER I RECENTLY RECEIVED FROM MR. PERKINS MCGUIRE, WHO CHAIRED THE PROCUREMENT COMMISSION. HE IS OUT OF THE COUNTRY AND UNABLE TO APPEAR AT THESE HEARINGS.

"I have had an opportunity to read the last report you made to the House Government Operations Committee regarding the progress the Executive has made in implementing the recommendations of the Commission on Government Procurement.

"Your report does not indicate to me that very much progress has been made by the Executive in following the Commission's recommendations with respect to the creation of an Office of Federal Procurement Policy in the Executive Department. Therefore, I am more convinced than ever that Congress must take specific action in passing a law creating an Office of Federal Procurement Policy in the Executive Department."

THAT CONCLUDES MY STATEMENT, MR. CHAIRMAN. MY ASSOCIATES AND I WILL BE PLEASED TO ANSWER YOUR QUESTIONS.